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Mr. John B. Doherty

Great West Mining & Smelting Corporation Limited

HEAD OFFICE

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TORONTO 1, CANADA

September 7th, 1965.

TO THE SHAREHOLDERS:

Since the Annual Meeting which was held on June 2nd, 1965, and my last communication to the shareholders of May 19th, 1965, a number of developments have taken place which your Directors regard as favourable and which I am pleased to bring to your attention.

At the Annual Meeting, the financial statements of the Company for the year ending December 31st, 1964, were approved; the Board of Directors was re-elected; and Messrs. Peat, Marwick, Mitchell & Co. were re-appointed auditors. At the Meeting of Directors which followed the Annual Meeting, the officers were re-elected and the Executive Committee was re-appointed.

On July 6th, 1965, the common shares of your Company were called for trading on the Canadian Stock Exchange in Montreal. The symbol selected to indicate the shares was "GWM". This listing has thus far provided a more orderly market for the shares than was previously the case and it facilitates trading for the shareholders.

The drilling and testing program laid down and supervised by your Company's consultants, Arthur G. McKee & Co., has now been, to a large extent, completed, and we have received a preliminary report from them. The objectives of this program were to determine that the Company had sufficient ore reserves to supply western Canadian and adjacent United States consumers for at least thirty (30) years at a production level of 200,000 tons of R-N briquettes per annum, and also to verify that the concentrate to be made from the ore was of a satisfactory quality to produce the type of material required by the various consumers.

The McKee report, which relies upon M.W. Bartley & Associates Ltd., as consulting geologists, is favourable with regard to both objectives. The specific opinions concerning the iron formation are those of Dr. M.W. Bartley, and McKee has stated that it considers Dr. Bartley's to be "a sound analysis of the facts developed to date".

They have stated with regard to ore reserves that of drilling done so far to the 1500 foot level, the ore body contains, on the most conservative basis, at least 23% more than is required for thirty (30) years of production.

As to the quality of the concentrate, McKee reports on a series of tests conducted at the Mines Experiment Station, Minneapolis, Minnesota, on samples of core which McKee had selected, and they state that the ore can be satisfactorily concentrated and that the iron and silica factors are within the technical specifications necessary to use the R-N process to make iron briquettes.

As this is written, bulk sample testing to augment last fall's successful laboratory work is going forward on the use of our concentrate in the R-N process. The results on these tests, which should be available before the end of this month, are expected to substantiate the prior laboratory work.

As the preliminary McKee report will be sufficient to satisfy the Company's prospective consumers as to the existence of ample ore reserves and of the quality of the ore, the company and its consultants are now refining the preliminary facts and figures on capital and other requirements to proceed to major financing and also to determine the detailed factors to be included in long term contracts with the said consumers.

While the mining and concentrating facilities will be at Emo, Ontario, the location of the R-N facility has not yet finally been determined. At the moment, a location at Selkirk, Manitoba, adjacent to the Manitoba Rolling Mill, Division of Dominion Bridge Company, seems to be indicated, but the location will depend on the total tonnages to be absorbed by western consumers in Canada in relation to the amount to be shipped to adjacent areas in the United States. It is intended that this final decision will be made in the very near future.

As our pre-production activity has continued to be favourable, and progress satisfactory to your Board of Directors, the Company has continued to meet the schedule of purchase commitments on surface rights to all land required for mining, concentrating and reduction facilities, and for the road and rail access thereto. In all respects our mineral and surface rights are protected, not only for the initially proposed program for western Canada, but for a possibly expanding program as well.

Yours very truly,

JOHN B. DEMPSEY II,
PRESIDENT.

